

# HUMAN RESOURCE CHALLENGES IN THE ORGANISED RETAIL SECTOR

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## Abstract

Among the 30 largest emerging markets, India is the third most attractive retail market for global retailers, according to US consulting group AT Kearney's report published in June, 2010. With the robust economic growth, high disposable income in middle and upper class consumer, India has great potential in its tier-II and tier-III cities as well. The greater availability of personal credit and a growing vehicle population providing improved mobility also contribute to a trend towards annual retail sales growth. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent. Though the retailing sector is growing rapidly, some of the constraints faced by the sector are restricting its growth. Apart from the regulations and approval for Foreign Direct Investments (FDIs), the sector strongly lacks effective human resource practices. This study is aimed at studying the various problems and challenges ahead for HR managers in the implementation of HRM practices in selected organized retail outlets. This paper seeks to address the HR challenges and skill requirements in the organised retail sector. Problems of lack of trained work force, low skill level for retailing management, lack of development programmes to the existing human resources and problems in retaining qualitative manpower are some of the obstacles creating huge challenges to the Indian retail sector. It was found that to

overcome some of the challenges faced by retail, the companies are investing heavily in training and recruitment of qualitative work force.

*To remain at the top of any industry, it takes great people who will stay longer and perform better*

## Introduction

Retailing is the vital link in any typical supply chain as it is closest to the customers. Retailing adds value in terms of bulk breaking, providing a wide assortment of goods, and incidental services to customers. The development in the organized retail sector has shown the perfect platform to the Indian companies to enter into this sector. The entry of global players in retailing business has created huge challenges to the Indian companies. The organized retailers, in order to respond to the competition, started to realize the need for efficient man power. The HR practices and employee satisfaction became the primary concern for the organized retailers. This paper focuses on the various problems and challenges faced by the HR department in procuring and retaining the employees of organized retailing companies.

In the present competitive scenario, the role of retailing is increasing rapidly with the entry of global players. With increasing globalization, firms are

entering a dynamic world of international business that is marked by liberalization of economic policies in a large number of emerging economies like India. To face the challenge of increasing competition that has resulted from liberalization, Indian organizations have initiated adoption of innovative human resource management practices both critically and constructively to foster creativity and innovation amongst employees. The huge opportunities in organized retailing encouraging the companies to enter in retail industry. The last 2 decades has witnessed the tremendous potential for organized retailing. The growing needs of retail industry can be matched up with the aggressive human resource practices. The present retail organizations which are performing organized retailing are facing huge challenges in procuring and retaining and maintaining qualitative human resources. Hence, an attempt was made to analyze the various human resource practices followed in select retailers in organized retailing and the challenges faced by the HR department.

**Objectives:** The major objective is to study the human resource management practices pursued in the organized retailing sector. The paper is also aimed at studying the various problems and challenges ahead for HR managers in the implementation of HRM practices in selected organized retail outlets.

**Methodology:** Human resources people are the backbone of any company and the success of retail business depends a lot upon the HR strategies followed by retailers. The HR managers of select organized retail outlets in the city of Pune were interviewed with a structured

questionnaire to find out the kind of human resource strategies they are following and how people are managed.

## Results

### Profile of human resource in Organised Retail

The function /activity-wise distribution varied based on the format of the stores as well as other factors like Single/Chain stores, type of products etc. Also, standalone/small retailers did not have explicit demarcation of functions for merchandising, or marketing. It was found that major proportion of the employment in the retail sector is in front-end/retail assistant profiles in stores. The function/activity-wise distribution of human resource in the Organised Retail sector is shown in the following figure. Store operations account for 77% of the total manpower employed in the Organised Retail sector. Of the remaining, 6% each is in Marketing and Merchandising. 11% are in other jobs which include Logistics, HR, IT, Site Maintenance etc.

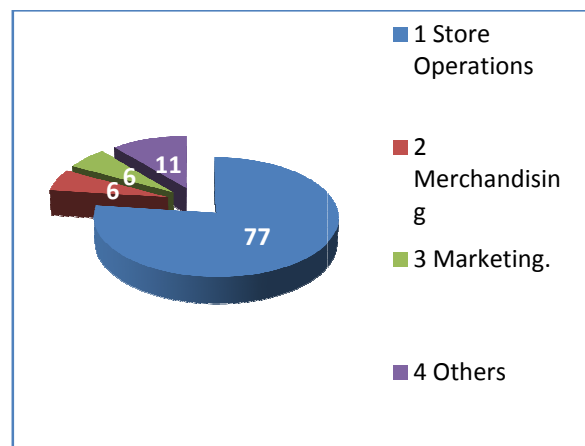


Fig 1: Function/activity-wise distribution of human resource in the Organised Retail sector  
Source: Primary Research, IMaCS analysis

**Profile of Human Resource Personnel by education level**

The distribution of human resource by educational profile is shown below. Persons with education up to 12<sup>th</sup> Standard and 10<sup>th</sup> Standard accounted for 55% of the workforce. 27 % employees had a graduate degree. The education profile of the human resource will vary for retailers in small cities and rural areas where X/XII pass people account for a higher share of the workforce. As there are very few courses which are specific to retail, graduates/post graduates from other streams are recruited.

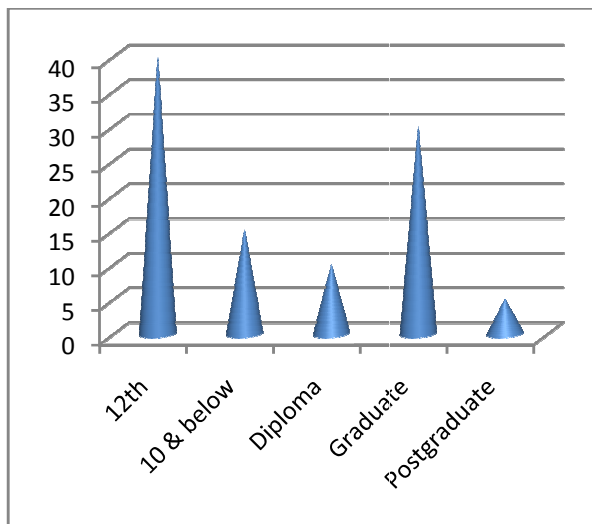


Fig 2: Education level of personnel in the retail outlets

Source: Primary Research, ImaCS analysis

**Challenges faced by the HR department in a retail store**

The human resource management practices are vital for the development of any business or sector. The HRM practices have inevitable dependence on the organized retailers. From the study it was found that, right from new hire to orientation period, there are many differences in the

implementation of HR practices in the selected organized retailers. The satisfaction levels of various performance appraisal measures adopted in the selected retail outlets showed that the employees are highly favoured in the incentive plan. Further, the supervisor has the key role in taking initiative in the implementation of performance appraisal at the select organized retail outlets. The employee facilities in the select organized retail outlets were found to be not satisfactory to the employees of the retail outlets. The HR department is facing the challenges which include high attrition rate, absenteeism, and implementation of innovative practices in the retail outlets

**1. High Attrition:** The attrition rates are comparatively high when it comes to the retail industry in India. The attrition rate in the Indian retail industry is 30-35 percent. The main reasons were found to be the typical nature of job where a particular employee of an organized retail company need to work on his feet the whole day and the job is reaction intensive and the business is mainly transactional.

**2. Training for Competition:** Apart from using the services of outsourcing firms to train their sales people, they are also using some innovative training techniques to improve their staff’s soft skills such as good oral communication skills for interacting with the stores and other departments. Reasonable knowledge of English and vernacular language is a must.

**a. Stressing Upon Benefits of Advertising:** The HR managers and trainers are emphasizing upon making the

sales people think and act innovatively in designing the retail outlet and as well as attracting the customers through innovative promotional strategies. The trainers are focusing on making the staff effectively use advertising as a tool to enhance sales, promote growth, and attract new consumers.

**b. Counting the Customers:** In this, the retail firms and the trainers are making the staff of the retail organization increase the customer relationship management. Through effective training, the trainers are working on highlighting the components of marketing strategies which the sales people should perform activities of promotion, product development, relationship management, distribution and pricing. The trainers are making the retail staff which include sales staff and supporting staff to identify the firm's marketing goals, and are explaining about how the goals can be achieved.

**3. Online Training:** The trainers of HR department are showing the visuals of well-designed and successfully running retail organization's outlets to the employees in order to make them to realize the importance of the design of retail outlet. Apart from that, from the survey it was also realized that the trainers are focusing on online training which include web based support to enhance the abilities of the staff of the retail outlets.

**4. High Labour costs and Complex nature of labour laws:** Because of the increasing competition and the complex nature of the work, the retail outlets are facing the problems of labour costs. Apart from that, various labour laws are giving restrictions to the HR department to achieve desired objectives of the retail organizations. From the survey, it was

found that the HR department is facing with the problems like lengthy leisure hours and frequent absenteeism of the employees to the duties. Even, it was found that the existing labour laws in India forbid employment of staff on a contractual basis that makes it difficult to manage employee schedule. Especially, when retail organizations are performing 365- day operation, the problems in encouraging and motivating the employees to perform well is a tough challenge for the HR department.

### Conclusions

It was found that the HR management practices in the select retail outlets are still in the initial stages of development. The employee facilities and proper performance appraisal measures will always encourage the employees to achieve the best. Hence, the retail outlets should decide and implement proper HR practices in order to retain and develop the work force who are the assets for the development of organizations. The government should also need to bring revision of existing labour laws and should provide flexibility in working hours and should encourage with its laws that can bring conducive environment.

**“You're only as good as the people you hire.”**

**- Ray Kroc, Founder of McDonald's**

### Recommendations and Suggestions

Organised Retail has been more of an urban phenomenon till recently, but this is rapidly changing. Employee retention and motivation of staff has become the major concern for HR department in the organized retailing sector. Because of the

strenuous schedules and tasks involved in the retail industry, it becomes imperative for HR staff to take good care of their employees who form the building blocks of their retail chain. The undercurrents among the employees regarding company policies are many and they must be felt from time to time to sustain the quality crowd and reduce the attrition rate.

The retailers in tier 1 cities would have to look at people from smaller cities and towns to meet the store end jobs. Also, the training requirements of such persons in term of communication skills, especially knowledge of English, have to be addressed.

The need for efficient trained sales team is of great importance in the organized retailing at present. The training programmes could be of short (7 – 14 days) and/or medium (3 months – 6 months) duration. The short term training programmes will be aimed at existing employees whereas the medium term courses should target entry level X/XII pass/Graduates. The programmes should focus on soft skill training as well as cover basic concepts of retailing and consumer behaviour. There is also a demand for customised, company-specific training and/or product specific training. The training programmes targeted for store managers should target existing supervisors and senior executives (2-3 year experience in retail) and should impart cross functional knowledge required to maintain a store.

The training programmes for marketing, merchandising should be targeted at graduates (BBA) and would need to be of about 6 months to a year in duration targeting related job profiles in marketing,

merchandising, etc. Industry exposure as part of these courses is a must to impart the right skills as well as to gain acceptability of the candidates from the retail companies.

For every retail organization, the secret behind the success of their business is to keep the list of their loyal consumers interact. The need for a well-designed HR practices are greatly needed for proper training to the newly recruited people to the retail organization. Providing training to the sales staff plays a significant role in every business operation. Nowadays, the organized retailers are looking at a sales training company to help the sales staff gain more proficiency and expertise in their respective field. The programmes should focus on soft skill training as well as cover basic concepts of retailing and consumer behaviour. There is also a demand for customised, company-specific training and/or product specific training.

The secret of successful retailing is to give your customers what they want.

From the point of view as a customer, they want everything:

- A wide assortment of good-quality merchandise;
- The lowest possible prices;
- Guaranteed satisfaction with what you buy;
- Friendly, knowledgeable service;
- Convenient hours; free parking;
- A pleasant shopping experience.

— *Sam Walton, Founder Chairman, Wal-Mart (1918-1992)*

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